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FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9192  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBK/AMEMBASSY BANGKOK 2991  
RUEHBJ/AMEMBASSY BEIJING 2348  
RUEHBY/AMEMBASSY CANBERRA 2112  
RUEHKA/AMEMBASSY DHAKA 5269  
RUEHLO/AMEMBASSY LONDON 2193  
RUEHNE/AMEMBASSY NEW DELHI 5586  
RUEHUL/AMEMBASSY SEOUL 9182  
RUEHTC/AMEMBASSY THE HAGUE 0823  
RUEHKO/AMEMBASSY TOKYO 6760  
RUEHCN/AMCONSUL CHENGDU 1859  
RUEHCHI/AMCONSUL CHIANG MAI 2237  
RUEHCI/AMCONSUL KOLKATA 0707  
RHHMUNA/CDR USPACOM HONOLULU HI  
RUEKJCS/JOINT STAFF WASHDC  
RUCNDT/USMISSION USUN NEW YORK 2563  
RUEHGV/USMISSION GENEVA 4569  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/DIA WASHDC  
RUEAIIA/CIA WASHDC  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC

S E C R E T SECTION 01 OF 02 RANGOON 000409

SIPDIS

STATE FOR EAP/MLS, INR/EAP,  
PACOM FOR FPA

E.O. 12958: DECL: 07/02/2019

TAGS: [EAGR](#) [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [PINR](#) [BM](#)

SUBJECT: (S) BURMA AND NORTH KOREA: RICE FOR ARMS

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4  
(b and d).

Summary

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11. (S) A well-placed private business contact reports that the Burmese Government, through military-owned Myanmar Economic Holdings Ltd. (MEHL), has exported approximately 20,000 metric tons of rice to North Korea through June 2009. According to the local director of SGS Consultants, the GOB has "gifted" much of the rice to the DPRK in return for "technical services and equipment" that reportedly includes conventional weapons. The SGS official indicates this relationship is not new; he states that Burma has been exporting rice and other agricultural commodities to North Korea for over five years in exchange for arms. In the past, Singaporean companies allegedly brokered the deals, but the SGS representative has heard anecdotal reports (which we cannot confirm) that regime cronies, including Tay Za and Nay Aung, are now facilitating Burma-DPRK transactions. End Summary.

Rice "Donations"

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12. (S) Swiss company SGS Consultants is the only independent inspection company in Burma. SGS conducts inspections of many incoming and outgoing shipments, and inspects all of MEHL's rice export shipments. Based on information gained from these inspection activities, SGS Consultants Managing Director U Kyaw Tin estimates that the Burmese Government, through MEHL (not MEC), has exported approximately 20,000 metric tons of rice to North Korea as of

June 2009. U Kyaw Tin stated that these exports were not under UN auspices. WFP Country Director Chris Kaye confirmed that the UN is not/not purchasing Burmese rice for its North Korea feeding programs.

13. (S) According to U Kyaw Tin, MEHL currently is loading 8,000 metric tons of rice onto North Korean ship DV Dumangang, which arrived at the Thilawa Port in Rangoon on June 27 (the arrival of the ship and the related transaction were also reported in the government press). U Kyaw Tin said he was told by MEHL officials that the company plans to export an additional 15,000-20,000 metric tons of rice to the DPRK by the end of 2009, which would bring the 2009 total to approximately 40,000 tons.

14. (S) U Kyaw Tin reported that MEHL is providing much of the rice to North Korea as a "gift." U Kyaw Tin said, for example, that MEHL officials told him during an SGS inspection of the current shipment that the GOB was donating the 8,000 metric ton shipment to the DPRK, but suggested that the North Koreans would likely provide "technical services and equipment" in exchange. Based on his further questioning of MEHL contacts, U Kyaw Tin surmised that "technical services and equipment" includes conventional weapons. He also told us the North Korean Government paid USD 280/metric ton for approximately 6,000 of the 20,000 metric tons of rice shipped thus far this year -- well below the current market price of approximately USD 350/metric ton. He also confirmed that the "gifted" rice was older stocks (from late 2008) of extremely poor quality, almost unfit to eat.

#### Ongoing Relationship

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15. (S) U Kyaw Tin stated that the GOB has been exporting rice to North Korea for years, and believes the North Koreans often pay through in-kind provision of conventional weapons. Although Burmese trading practices require traders to secure a letter of credit before exporting, none of the North Korea-bound rice shipments have followed this practice, he stated. According to U Kyaw Tin, MEHL exported rice to North Korea using Singaporean brokers until 2006. Based on Singaporean companies' import documents declaring "technical equipment and machinery of North Korean origin" (which he and his staff often saw at the port during inspections), U Kyaw Tin concluded the brokers were shipping back arms to Burma on North Korea's behalf. U Kyaw Tin also learned from one of his close friends, a captain in the Burmese Navy, that MEHL would transfer the North Korean "technical machinery" to military bases in Rangoon.

16. (S) Due in part to international pressure, Singaporean companies are no longer brokering rice-for-arms exchanges on behalf of the Burmese and North Koreans, U Kyaw Tin stated. Several of his Singaporean business contacts told him that regime cronies Tay Za and Nay Aung, both owners of major rice exporting companies, now act as arms brokers for the regime. (Note: a number of other business contacts have told us that Tay Za and Nay Aung facilitate arms shipments from China, but this is the first we have heard of their possible involvement with North Korea.) U Kyaw Tin observed there always is increased security at the Thilawa Port when Tay Za's companies are unloading imported shipments. However, he admitted he had no concrete proof of Tay Za's or Nay Aung's involvement in the arms trade, only anecdotal reports.

#### Comment

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17. (S) We have no way of independently assessing the accuracy of the information SGS Director U Kyaw Tin has relayed. However, as the head of the only private shipping inspection company in Burma, U Kyaw Tin and his staff have regular access to the various Rangoon ports, including Steven

Law's private Asia World Port, as well as to cargo manifests maintained in GOB Customs offices. With his excellent working contacts in the military and shipping industry, U Kyaw Tin is in a unique position to acquire such information.

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